

Environmental Client Service Group

To: Our Clients and Friends

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Department of Energy Offers Funding Opportunities

With credit markets still tight, utilities, other energy project developers, technology companies and others interested in pursuing renewable energy projects, “smart grid” development, electric transmission improvements, or energy efficiency enhancement should consider funding opportunities recently offered by the Department of Energy (“DOE”). Depending on the type of project proposed, competitive funding opportunities are available in the form of loan guarantees, credit cost subsidies or matching grants. DOE has issued formal solicitations of applications for \$3.4 billion in matching grants for “smart grid” demonstration and development projects; \$8.5 billion in loan guarantees for energy efficiency, renewable energy, and advanced transmission and distribution projects; and \$2.5 billion in credit cost subsidies for certain renewable energy systems, electric transmission projects, and biofuel projects that begin construction by September 30, 2011.

Matching Grants

The purpose of the matching grant program is “to accelerate the modernization of the nation’s electric transmission and distribution systems and promote investment in smart grid technologies, tools and techniques which increase flexibility, functionality, interoperability, cyber security, situational awareness and operational efficiency.” In concept, these goals can be achieved by fully integrating computer driven digital communications technology into electric grid operations and use. Almost any non-Federal entity, from utilities and other providers of energy services and equipment, to state and local governments and private individuals, is eligible to file an application alone or as part of team. However, the project proposed must be designed to achieve a function specified in Section 1306(d) of the Energy Independence and Security Act of 2009, which, for the most part, specifies digital communications functions related to electric grid operations and end use of electricity. For example, projects involving sensing and localizing disruptions in power flow on the grid are eligible, as are proposed appliances and equipment whose operations are capable of responding to digital communications signals automatically. A project must also be capable of achieving its performance objective within three years.

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Of the \$3.4 billion in funding available, 40 percent is targeted for “smaller” demonstration project grants ranging from \$300,000 to \$20 million, and 60 percent is targeted for “larger” deployment grants ranging from \$20 million to \$200 million. In effect, the program enables a successful applicant to pursue a project with half the investment it would otherwise have to raise in the capital markets. Although initial applications under the first phase of the program are due August 6, 2009, applications may be filed for second and third phase funding by November 4, 2009 and March 3, 2010.

Loan Guarantees

DOE is also soliciting applications for \$8.5 billion in loan guarantees under authority granted by Section 1703 of Title XVII of the Energy Policy Act of 2005 (“EPACT”). These loan guarantees are available in support of “debt financing for projects in the United States that employ energy efficiency, renewable energy and advanced transmission and distribution technologies.” Such technologies that “avoid, reduce, or sequester air pollutants or anthropogenic emissions of greenhouse gases” must constitute “New or Significantly Improved Technologies” within the meaning of DOE’s applicable regulations. DOE has scheduled seven rounds for the filing of applications for loan guarantees that should free up more debt capital and lower the interest rate a lender would otherwise charge. The first round filing due date is September 14, 2009. The last round filing due date is August 24, 2010.

Credit Cost Subsidies

\$2.5 billion in credit cost subsidies is being made available by DOE pursuant to Section 1705 of Title XVII of EPACT, which was added and funded by the American Recovery and Reinvestment Act of 2009. Section 1705 is designed to promote “rapid deployment of renewable energy and transmission projects.” Of the \$2.5 billion made available for “Section 1705 Projects,” \$500 million is earmarked for “Leading Edge Biofuel Projects.” The remainder is for “Renewable Energy Systems Projects” and “Electric Power Transmission Systems Projects.” To be eligible for the credit cost subsidies, a project must employ “New or Significantly Improved Technologies” and satisfy other specific requirements established by DOE rules, including commencement of construction by September 30, 2011. Eligible renewable energy systems include incremental hydropower and geothermal, solar and wind systems “that generate electricity or thermal energy and facilities that manufacture related components.” Eligible electric power transmission projects include upgrades to and replacement of conductors at existing facilities. Eligible biofuel projects must “be likely to become commercial technologies” and “produce transportation fuels that substantially reduce life-cycle greenhouse gas emissions compared to other transportation fuels.” Application submissions are to be made in accordance with the same schedule established for the Section 1703 loan guarantee program.

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For more detailed information on the requirements of these programs, or for assistance in preparing and submitting applications, please contact:

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